

GRAIN DEALERS ACT (EXCERPT)
Act 141 of 1939

285.87 Grain dealer license; surety bond; requirements; security for warehouse receipts and open storage transactions.

Sec. 27. (1) Before a license is issued to a grain dealer other than a grain merchandiser or farm produce trucker, the grain dealer shall provide a bond to the department that secures only the grain dealer's warehouse receipts and open storage transactions. Except as provided in subsection (3), the amount of the bond shall be \$15,000.00 for the first 10,000 bushels of storage capacity of the dealer's facility used for open storage and storage under warehouse receipts, plus \$5,000.00 for each additional 10,000 bushel capacity or fraction of that capacity used for open storage and storage under warehouse receipts other than collateral warehouse receipts.

(2) A bond provided under this section shall name the department as payee, be executed by the applicant as principal, and be issued by a surety authorized to conduct business in this state. The department shall prescribe the form and terms and conditions of the bond. The bond shall contain the address and storage capacity of the facility of the grain dealer.

(3) A grain dealer who owns 2 or more facilities and is required to provide a bond under subsection (1) may furnish separate bonds for each facility or a blanket surety bond to satisfy his or her obligation under subsection (1). The amount of a blanket surety bond shall be the lesser of the cumulative amount determined by applying subsection (1) to each facility or \$400,000.00. A blanket security bond shall contain the address and storage capacity of each facility of the grain dealer.

(4) A bond provided under this section shall secure the faithful performance of the grain dealer of his or her obligations under all warehouse receipts and open storage agreements outstanding on or after the effective date of the bond and outstanding at the time the license of the grain dealer is revoked or the bond is canceled as provided in this act, whichever occurs first. The bond shall secure the grain dealer's faithful performance of those obligations whether the grain dealer is licensed or not.

(5) A bond provided under subsection (1) shall have a continuous term and shall not have a fixed expiration or termination date.

(6) The total aggregate liability of a surety under a bond provided under this section is limited to the amount of the bond without regard to the number of claimants involved in a transaction in which a claim on the bond is made. The liability of a surety on a bond provided under this section shall not accumulate for any successive license period.

(7) A person required to provide a bond to the department under this section may at his or her option provide the department with a certificate of deposit or other security acceptable to the department in lieu of all or part of the bond, payable to the department. The principal amount of the certificate of deposit or other security provided, or the aggregate amount of the bond provided and the principal amount of the certificate of deposit or other security provided, shall be the same as the amount of the bond otherwise required under this section. The interest on the certificate of deposit or other security provided under this subsection shall be made payable to the person or other purchaser of the certificate of deposit or other security. The certificate of deposit or other security shall remain on deposit until it is released, canceled, or discharged as provided for by rule of the department. The provisions of this section that apply to a bond required under this section apply to a certificate of deposit or other security provided under this subsection.

(8) Holders of collateral warehouse receipts or warehouse receipts issued in the name of the grain dealer may not recover against a bond provided under subsection (1).

(9) If the department determines that a bond previously provided under this section is insufficient, the department shall require that the grain dealer provide an additional bond. The additional bond shall be in an amount determined by the department and conform with all other requirements of this section.

(10) A grain dealer shall not cancel a bond required by this section without the consent of the department and the department's prior approval of a substitute bond.

(11) The surety on a bond required by this section may not cancel the bond unless it sends a notice of intent to cancel to the department more than 60 days before it cancels the bond. If the department receives a notice from a surety under this subsection, it shall promptly notify the grain dealer that provided the bond. The department may suspend or revoke the license of a licensee who fails to provide a new bond within 60 days after the department receives notice of intent to cancel from a surety.

History: Add. 2002, Act 80, Eff. Mar. 31, 2003.